tastytrade Australia Pty Ltd
Product Disclosure Statement
ACN 623542969
AFSL 508867

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1. About tastytrade Australia and Margin Lending

Tastytrade Australia Pty Limited ACN 623542969, AFSL 508867 ('tastytrade Australia', 'TA' or 'us' or 'we' including our appointed agents or delegates where appropriate) is an innovative provider of margin lending accounts. Tastytrade Australia is focused on providing flexible options for self-directed investors to obtain margin lending.

The margin lending facility is subject to an agreement between you and tastytrade Australia ('Margin Agreement', 'Agreement'). The Agreement sets out your rights and obligations relating to various services offered under the margin lending facility, and it is important that you read and understand them prior to signing the application form and entering the Agreement.

We have appointed tastytrade, Inc. ('tastytrade US', 'TT US' or 'Service Provider') to provide various administration and account management services in support of the margin lending provided by us, including but not limited to maintenance and operation of the trading platform. Tastytrade US is also responsible for the trading of securities for the Margin Loan. Tastytrade US is a U.S. registered introducing broker servicing self-directed investors. Tastytrade U.S. is a Delaware C-Corporation located in Chicago, Illinois and is regulated by FINRA (Financial Industry Regulatory Authority), the SEC (Securities and Exchange Commission), the NFA (National Futures Association) and the CFTC (Commodity Futures Trading Commission) and is a member of FINRA, NFA and SIPC (Securities Investor Protection Corporation).

Through tastytrade US, we have appointed Apex Clearing Corporation ('Apex') as the Nominee (or custodian) of the securities purchased using your margin loan facility; Apex is the wholesale provider of finance for your margin lending facility. Apex is a US incorporated company and is regulated by FINRA, the SEC, the NFA and the CFTC and is a member of FINRA, NFA and SIPC.

A margin account is an account that allows you to access **leverage** by borrowing funds from Apex to buy and sell and to hold **marginable securities** including long and short stock and ETF shares, and other eligible assets. Funds are lent to you against your account equity as collateral. Margin accounts also allow you to trade other assets such as **derivatives**.

Derivatives refer to options contracts and futures contracts. You are not trading the actual asset when you trade options or futures. Instead, you are trading an instrument derived from an **underlying** asset such as shares or a commodity such as oil or corn.

Leverage allows investors to gain exposure to a specific stock or asset class by only requiring investors to post a portion of the asset's value.

Marginable securities refer to stocks/ETF shares that you are allowed to borrow against and use as collateral.

Non-marginable equity refers to the amount of equity you have in your account to establish positions that must be fully paid for and cannot be used as collateral. Your non-marginable equity displays as options buying power on the trading platform.

Securities refer to a specific asset class such as stocks or ETFs. Stock and ETF options are considered derivative securities. The terms equities and securities are interchangeable. Futures and cryptocurrencies are not securities. Instead, they are a distinct asset class.

Please refer to the table below for examples of marginable and non-marginable securities and assets. Tastytrade US only supports trading in U.S Exchange-listed securities. We do not support trading in OTCBB stocks (also known as "penny stocks"), mutual funds opening orders, foreign securities, or unlisted securities.

Marginable Securities*	Non-Marginable Securities & Assets
• U.S. Exchange Listed Stocks • U.S. Exchange Listed ETFs • Leveraged ETFs and ETNs • Volatility-based ETFs and ETNs • Commodity-based ETFs and ETNs	• Stocks below $3 • OTCBB/Unlisted ”penny stocks” • Long & short options • Futures • Options on futures • Cryptocurrencies

* Due to market conditions, margin requirements are subject to change at any time.

The decision to apply for a margin account is up to you. Prior to the establishment of any facility, we are required by law to assess whether the facility is unsuitable for you.

Margin lending can help you increase the size and diversity of your investment portfolio by increasing your spending and investment power. However, a margin loan also increases the potential for greater losses. Therefore, it is important you regularly monitor your investments so you can take timely action to potentially avoid or reduce any losses. It is important that you understand how margin works and whether it fits your investing risk profile. You should also ensure you are aware of any changes to the Agreement.

There is no minimum funding requirement to open a margin account at tastytrade US. However, margin privileges are only extended to margin accounts with a minimum of $2,000 in **margin equity**. Simply having an account with a **net liquidation value** of $2,000 or more does not automatically enable margin privileges.

Margin equity refers to the amount of money and marginable securities in an account.

Net liquidation value, or “Net Liq,” is your account value that includes your account’s cash balance and position value (marginable and non-marginable positions). It is displayed on all trading platforms. It is calculated by taking your account’s Cash Balance + Net Liq of all your open positions.

An event that results in the reduction of the value of your investments, such as general market movements, reduction in the margin percentages or maximum loan-to-value ratios (“LVRs”) or removal of an investment from our approved securities list, may at short notice require you to pay additional funds to repay the margin loan, or sell some or all of your investments to repay the margin loan, which is referred to as a margin call. If the sale of your investments does not cover the margin loan, you will need to provide additional funds from another source (outside the facility) to repay the margin loan or we may sell other assets. Our right to recover an amount owing is not limited to our security rights against your investments. We are entitled to recover the full amount owing from you personally.

In some instances, we may, under the Agreement, sell part or all of your investments **without prior notice** to you. This may occur where you fail to meet a margin call within the specified time period or if certain market events occur. Refer to section 4 of this PDS for additional information about margin calls.

2. Benefits of Margin Lending

The consequences of margin lending are specific to each individual. Therefore, we recommend you obtain professional, independent financial, taxation and legal advice on the suitability of margin lending for you. Below are some benefits of Margin Lending:

- INCREASE THE LIQUIDITY AND DIVERSITY OF YOUR INVESTMENTS
  You may be able to borrow against your existing investments and use the funds to make further purchases.

- INCREASE YOUR SPENDING AND INVESTMENT POWER. You can borrow against a list of approved securities allowing you to increase the size of your investments. This is above the amount you could have invested with your own funds. As the value of your investments increase, so do your potential returns.

- BENEFIT FROM POSSIBLE TAX ADVANTAGES There are a number of potential tax benefits associated with margin lending, these include: interest deductibility; prepayment of interest; reduced capital gains tax liabilities; increased franking credits.

- TRADE CERTAIN PRODUCTS AND OPTIONS STRATEGIES If you plan on trading multi-leg options strategies or futures, a margin account with the applicable trading level is mandatory. Even if you do not intend to borrow, a margin account provides a line of credit. For example, if you are assigned on any short options positions or auto-exercised on a long option at expiration, having access to margin can be helpful to hold the resulting position.

3. How Margin Lending Works

Before we dive into how a margin account works, let's briefly cover how placing trades in a cash account works to highlight the differences. When opening a position in a cash account, the capital requirement for the trade, which is the cash set aside to execute the order, is the order's entire value. In other words, you must pay for the total cost of the trade upfront.

For example, if you have a $10,000 cash account and purchase 100 shares of XYZ at $100 per share, you would need $10,000 (100 shares x $100) in your cash account to place this trade. If you would like to purchase more XYZ shares or the stock of a different underlying, you would need to deposit additional funds to cover the entire trade cost.

However, in a margin account, the capital requirement for a stock trade differs from a cash account. When placing an order on a marginable security, like stock or ETF shares, you only need to have a certain percentage of the total value to place the trade. Only requiring a certain percentage to place a trade is also known as a margin requirement.

Let's apply the same stock purchase example above in a margin account. For the same $10,000 deposit, your margin account stock buying power is $20,000. You are only required to initially set aside 50% of the trade value to open the XYZ stock position. Which means you are left with $15,000 in stock buying power compared to $0 in a cash account. As in this example, customers eligible for margin privileges typically get 2:1 leverage on stock buying power.

Leverage is why margin can be appealing to some investors as it provides increased flexibility to trade. This can lead to accelerated gains but also accelerated losses including losing more than your account's principal. When you are borrowing, you will be charged margin interest. You can find more information on margin interest on the tastytrade website under Help Center → Trading, Buying Power, & Margin → Margin → How do I calculate margin interest.

Let's see a margin loan in action with a $10,000 stock purchase in a margin account funded with $5,000. Under a common margin loan, there are two components an investor must satisfy to establish the position:

1. **Initial margin requirement**
2. **Maintenance requirement**

Initial margin requirement refers to the amount of buying power **required** to open a position. Initial requirements affect opening orders on stocks and ETF shares and are typically 50% of the position's value.

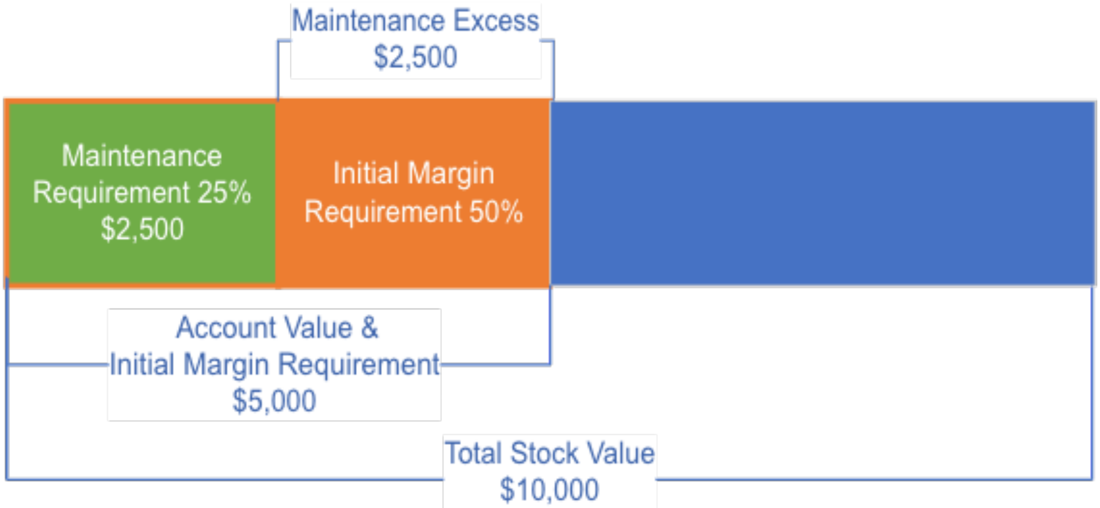
Maintenance excess is a margin account's value less the maintenance requirement of all open positions.

Maintenance requirement refers to the amount of account equity that must be maintained in the account to hold a position. In most cases, it is 25% of the position's value when holding long shares. When trading options, the maintenance requirement will be the initial requirement and vary by options strategy.

In the illustrated example below, let's see margin in action and what the buying power requirement is to buy 100 shares of XYZ for $100/share ($10,000 stock value) in a margin account funded with $5,000.

Although the account value is $5,000 and is buying $10,000 worth of stock, the margin loan allows investors to establish the position since it can satisfy the initial margin requirement and has enough account equity to maintain the stock position.

Since XYZ is a marginable security, investors can borrow against their position, or collateralize up to a certain percentage value, to establish other holdings. The collateralized value is referred to as maintenance excess.



When holding stock on margin, you will accrue margin interest daily and be charged the applicable rate based on how much you borrow. You can see how much you are borrowing by referring to your cash balance. Your account is borrowing when your cash balance is negative.

With margin, your portfolio can experience accelerated gains. **However, holding positions on margin can also accelerates losses with the potential of losing more than the account's value**, as illustrated below.

Quantity	Price	Account Value/Net LIq	Position Value	Cash Balance	Maintenance Requirement	Maintenance Excess	Profit/Loss
100	$150	$10,000	$15,000	($5,000)	$3,750.00	$6,250.00	$5,000
100	$140	$9,000	$14,000	($5,000)	$3,500.00	$5,500.00	$4,000
100	$130	$8,000	$13,000	($5,000)	$3,250.00	$4,750.00	$3,000
100	$120	$7,000	$12,000	($5,000)	$3,000.00	$4,000.00	$2,000
100	$110	$6,000	$11,000	($5,000)	$2,750.00	$3,250.00	$1,000
100	$100	$5,000	$10,000	($5,000)	$2,500.00	$2,500.00	$0
100	$90	$4,000	$9,000	($5,000)	$2,250.00	$1,750.00	($1,000)
100	$80	$3,000	$8,000	($5,000)	$2,000.00	$1,000.00	($2,000)
100	$70	$2,000	$7,000	($5,000)	$1,750.00	$250.00	($3,000)

100	$60	$1,000	$6,000	($5,000)	$1,500.00	($500.00) [1]	($4,000)
100	$50	$0	$5,000	($5,000)	$1,250.00	($1,250.00)	($5,000)
100	$40	($1,000)	$4,000	($5,000)	$1,000.00	($2,000.00)	($6,000)
100	$30	($2,000)	$3,000	($5,000)	$750.00	($2,750.00)	($7,000)
100	$20	($3,000)	$2,000	($5,000)	$500.00	($3,500.00)	($8,000)

[1]Required margin call issued when maintenance excess closes below $0.

We lend against shares and other marginable securities. Each investment will have a 'margin percentage', which is the percentage of the value of the security up to which we may lend, also referred to as the loan-to value ratio or LVR. The LVR may differ depending on the trading strategy. Please refer to the Margin Call section.

4. What is a Margin Call?

Account Equity Related Margin Calls

Margin calls are issued at least one hour before the market opens. Equity markets open on weekdays at 8:30 AM US Central Time (Chicago time). Margin calls are not normally issued intraday.

Required Maintenance Call (RM)

A Required Maintenance call, or RM call, is when a margin account does not have enough account equity to maintain its open positions. When your Maintenance Excess closes negative, it will indicate that your account does not have sufficient account equity. As a result, your account may receive a margin call before the market opens on the following trading day.

When a margin account receives an RM call, it can meet it by initiating a deposit for the call amount or greater. When the account's options buying power returns positive, that will indicate the call is met. Additionally, calls can be met by closing positions to free up account equity. Any unsatisfied RM calls that become past due will be subject to position liquidation.

Regulation-T Call (RT)

Regulation-T call will be issued when an account does not have enough equity to satisfy the initial margin requirement of a resulting stock position from an options assignment or exercise. The most common reason for a Reg-T call is an early assignment on a short equity/ETF option or auto-exercised on a long option at expiration. An account can also receive a Required Maintenance call if there is not enough account equity to satisfy the maintenance requirement of the assigned position.

Like an RM call, an RT call can be met by initiating a deposit for the call amount or greater. When the account's options buying power returns positive, that will indicate the call is met. Additionally, calls can be met by closing positions to free up account equity. Any unsatisfied RT calls due to an assignment that becomes past due will be subject to position liquidation.

Example

The example below illustrates an account that deposits $10,000 to purchase $20,000 worth of stock. As the stock moves, it remains in good order until the stock market value drops to $13,300. At this value, the margin requirements exceed the equity in the account and a maintenance margin call will be issued for $25.00. The example further illustrates that if the stock continues to decline in value to

$12,000, then the amount of the margin call will increase to $1,000. Please note that the initial minimum account to apply for a Portfolio Margin Loan is $175,000. The currency referred to in this example is the US dollars.

	Initial Deposit of $10,000	Initial Position	After $5,000 portfolio drop	After $6,700 portfolio drop	After $8,000 portfolio drop
Portfolio Market Value	$0.00	$20,000	$15,000	$13,300	$12,000
Cash/Loan Balance	$10,000	($10,000)	($10,000)	($10,000)	($10,000)
Equity (Portfolio + Cash)	$10,000	$10,000	$5,000	$3,300	$2,000
Margin Requirement (25%)	$0.00	$5,000	$3,750	$3,325	$3,000
Equity Excess/Deficit	$10,000	$5,000	$1,250	($25)	($1,000)
Loan Status	Account in order	Account in order	Account in order	Margin Call	Margin Call

5. The Risk of Losing Money

There are risks associated with borrowing against the value of your investments and securing that borrowing with those investments. You should obtain independent advice to determine if such borrowing is appropriate to you and your particular financial and taxation circumstances. In deciding whether to borrow money on this basis, you should be aware of the risks which we have disclosed in this PDS and the Agreement. This PDS only highlights some of the risks involved in borrowing against your investment portfolio. It is important that you fully understand the risks involved in trading securities on margin.

- You can lose more funds than you deposit in the margin account. A decline in value of securities that are purchased on margin may require you to provide additional funds to the firm that has made a loan to avoid forced sale of those securities or other securities in your account.

- Adverse market conditions may result in your portfolio value being reduced and subsequently your gearing level may increase, triggering a Margin Call.
- Margin Calls may require investments to be sold by us quickly at unfavourable prices and may trigger unwanted costs or taxes if you are unprepared.
- Margin Loans may generate higher investment returns, but it can also increase your losses if the value of the investment falls. You should regularly monitor your portfolio to avoid a margin call.
- We may remove an investment from the approved securities list.
- Tax legislation or marginal tax rates may change and have an adverse impact on your tax position. As the facility is located in the US, you may be subject to both the US and Australian tax laws.
- Your facility will be invested in companies listed on overseas exchanges which will give rise to foreign currency exposure and denominated in the US dollars. The relative strength or weakness of the US dollar against the Australian dollar will affect your facilities performance as expressed in Australian dollars.
- Your financial situation may materially change, adversely affecting your investment loan.

- Your margin loan, investments, margin value and other aspects connected with your margin loan may be adversely affected by future changes in legal, regulatory and compliance requirements. This includes a change in taxation laws which may have a negative effect on the tax position for you in respect of your margin loan.

For general information on the risks involved, visit https://www.moneysmart.gov.au/investing/borrowing-to-invest/margin-loans.

6. The Costs

Interest.
Apex will charge interest on a daily basis on the credit it extends to you. The rate of interest can be found here: https://tastytrade.au/commissions-and-fees/. The daily interest charges are calculated by multiplying your 'daily adjusted debit balance' by the 'daily margin interest rate'. Generally speaking, your daily adjusted debit balance is the actual settled debit balance in your Margin and Short Account, increased by the value of securities held short and reduced by the amount of any settled credit balance carried in your Cash Account.

Fees.
There are no application fees, establishment fees or account keeping fees.

The current commissions and fees can be found on our website https://tastytrade.au/commissions-and-fees/

Fees, interest rates and charges are subject to change at any time; updated details can be found on the website.

7. How to apply

The Margin Loan is available to approved applicants who are 18 years of age or older, who are assessed as 'not unsuitable', and are an individual. Superannuation funds, other trusts and companies are excluded.

You may apply online at www.tastytrade.au
Before applying you may wish to speak to a financial adviser to see if Margin Lending is suitable for you.

8. Complaints

Tastytrade Australia Pty Ltd is committed to a high level of client service and responding to any concerns or complaints promptly, fairly, consistently and in a professional manner. As such we have a dedicated Complaints policy that can be accessed from our public website at: https://tastytrade.au/external-complaints-policy/

If you have any concerns about a tastytrade Australia Pty Ltd product or service, we encourage you in the first instance to speak to our support department. If you are not satisfied with their response for any reason, you can contact the Compliance Department directly via email compliance@tastytrade.au

If you have made a complaint and have not received a response within the designated period as documented in our Complaints policy; or if you are unhappy with the outcome; you may have the right to take your complaint to the Australian Financial Complaint Authority ("AFCA").

Australian Financial Complaint Authority
GPO Box 3 Melbourne VIC 3001
Telephone: 1800 931 678
Email: info@afca.org.au
Website: www.afca.org.au